RRG Capital Management

natureVest | The Nature Conservancy

IMPACT REPORT

2021 SUSTAINABLE WATER IMPACT FUND

CONTENTS

> The Sustainable Water Impact Fund aims to do more than traditional investment models to generate environmental good, social benefits, and competitive financial returns.

COVER PHOTO: PERSEA (CATEMU RANCH), VALPARAÍSO REGION, CHILE.
PHOTO CREDIT: NICOLAS SALA.

LEADERSHIP PERSPECTIVE

> We strongly believe that leveraging private capital to more sustainably manage working lands is necessary to address the risks facing the earth's natural systems and the people who depend upon them.

— Ari Swiller & Cole Frates, RRG Capital Management

LEADERSHIP PERSPECTIVE

RRG Capital Management

In its most recent report, the Intergovernmental Panel on Climate Change (IPCC) urged global actors to invest in system transitions, including in land management and agriculture, to address the interconnected impacts of climate change on ecosystems, biodiversity, and humans. The Sustainable Water Impact Fund (the Fund) continues to be our response to this urgent call to action.

The year 2021 was one of continued growth and development for the Fund, both domestically and internationally. Its portfolio of investments doubled, from six to twelve. It honed systems for evaluating impact and made meaningful progress toward positive environmental and social outcomes.

In the Fund's inaugural Impact Report, we introduced the Fund's investment thesis and detailed the foundational structures that shape our innovative partnership with The Nature Conservancy (TNC). In this second annual report, we describe our work to grow the portfolio and further develop strategies to deliver and measure impact. We also detail our efforts to advance sustainability globally through creative pilot projects that aim to achieve wide-reaching improvements in permanent crop production, renewable energy development, and water resource management.

As the case studies in this report highlight, we saw early signs of environmental and social benefits on many of the Fund's investments. We learned important lessons about how to facilitate mutually beneficial collaboration with non-governmental organizations (NGOs) and community stakeholders. We also built systems to identify, implement, and measure impact. We remain optimistic that the Fund can demonstrate to the broader industry an approach to the use of scaled, pooled capital to generate competitive financial returns and meaningful outcomes. Finally, in 2021 the Fund continued to demonstrate the value of the partnership between RRG Capital Management (RRGCM) and TNC. Combining our financial and operational expertise with TNC's scientific acumen and conservation culture cultivates real benefits for the portfolio.

We are excited that the Fund, while still in its early stages, can play a key role in the global effort to mitigate climate change, and we welcome the opportunity to share our story with you in this report.

Ari Swiller
Co-Founder and Co-Managing Partner
RRG Capital Management

Cole Frates
Co-Founder and Co-Managing Partner
RRG Capital Management

LEADERSHIP PERSPECTIVE

> Investments in nature-based solutions for agriculture offer a triple benefit when done right: supporting agricultural production and resilience, mitigating climate change, and enhancing nature and biodiversity.

— Charlotte Kaiser, The Nature Conservancy

Our planet faces the interconnected crises of climate change and biodiversity loss, threatening the ecological systems underpinning our global food production. The Intergovernmental Panel on Climate Change (IPCC) has warned that climate change is already reducing food production in drier regions, and that any warming beyond 1.5°C above preindustrial averages will have increasingly severe impacts on food systems. There is no time for delay.

Under this mantle of urgency, in 2021, The Nature Conservancy (TNC) announced our ambitious plan to secure a thriving planet — for people and nature. Our 2030 goals include the conservation of 1.6 billion acres (650 million hectares) of land and the reduction or storage of three gigatons of CO_2 emissions each year. We recognize that we cannot reach these goals working alone, and we will use the power of nature and the strength of policy and markets to achieve these critical outcomes.

Our role in the Sustainable Water Impact Fund (the Fund) exemplifies this commitment. Now in its second year, the Fund is focusing on the delivery of early stage conservation outcomes and evaluating impact, and we're pleased to share signs of progress as our model matures. Together with our local teams and non-governmental organization (NGO) partners, the Fund is working to achieve on-the-ground conservation goals, project by project and pilot by pilot. We use our science to develop new regenerative and sustainable agricultural approaches that can be scaled in potentially transformational ways. This report highlights our approach to monitoring and evaluation and our steadfast commitment to the conservation outcomes that we are working to achieve.

At NatureVest, TNC's in-house impact investing team, we are working around the world to imagine investment products that can support TNC's mission at scale. By pairing RRGCM's capital markets acumen with TNC's scientific rigor and focus on environmental and social impact, we believe we are raising the bar for what constitutes investing for impact. This is a unique collaboration, and we continue to evolve the partnership and find new ways for our different sectors to work together to tackle our planetary crises.

Charlotte Kaiser
Managing Director
NatureVest
The Nature Conservancy

Catherine Burns
Managing Director, Impact Management
NatureVest
The Nature Conservancy

ABOUT THE FUND

The Fund's approach is intentional in its support of the UN Sustainable Development Goals, which harmonize three key dimensions of sustainable development — environmental protection, social inclusion, and economic growth.

The Fund aims to demonstrate how water and land can be managed to better meet the needs of both people and nature. With investments in the United States, Latin America, and Australia, the $927 million[1] Fund seeks to deliver competitive financial returns alongside meaningful, measurable progress against global challenges, such as water scarcity, climate change, habitat and biodiversity loss, food insecurity, and labor inequity.[2]

LEADERSHIP

RRG Capital Management

Founded in 2002, Renewable Resources Group, with its affiliate RRG Capital Management (together, RRG) owns, manages, and develops water, agriculture, land, and renewable energy assets in the U.S. and internationally. As a Certified B Corporation, signatory to the United Nations Principles for Responsible Investment, and active member in numerous impact investing and agriculture initiatives, RRG is committed to innovative approaches to support a more sustainable economy. RRG is headquartered in Los Angeles, California, with offices in Bakersfield, California; Mexico City, Mexico; Santiago, Chile; and Adelaide, Australia.

Certified B Corporation

Signatory of:

PRI Principles for Responsible Investment

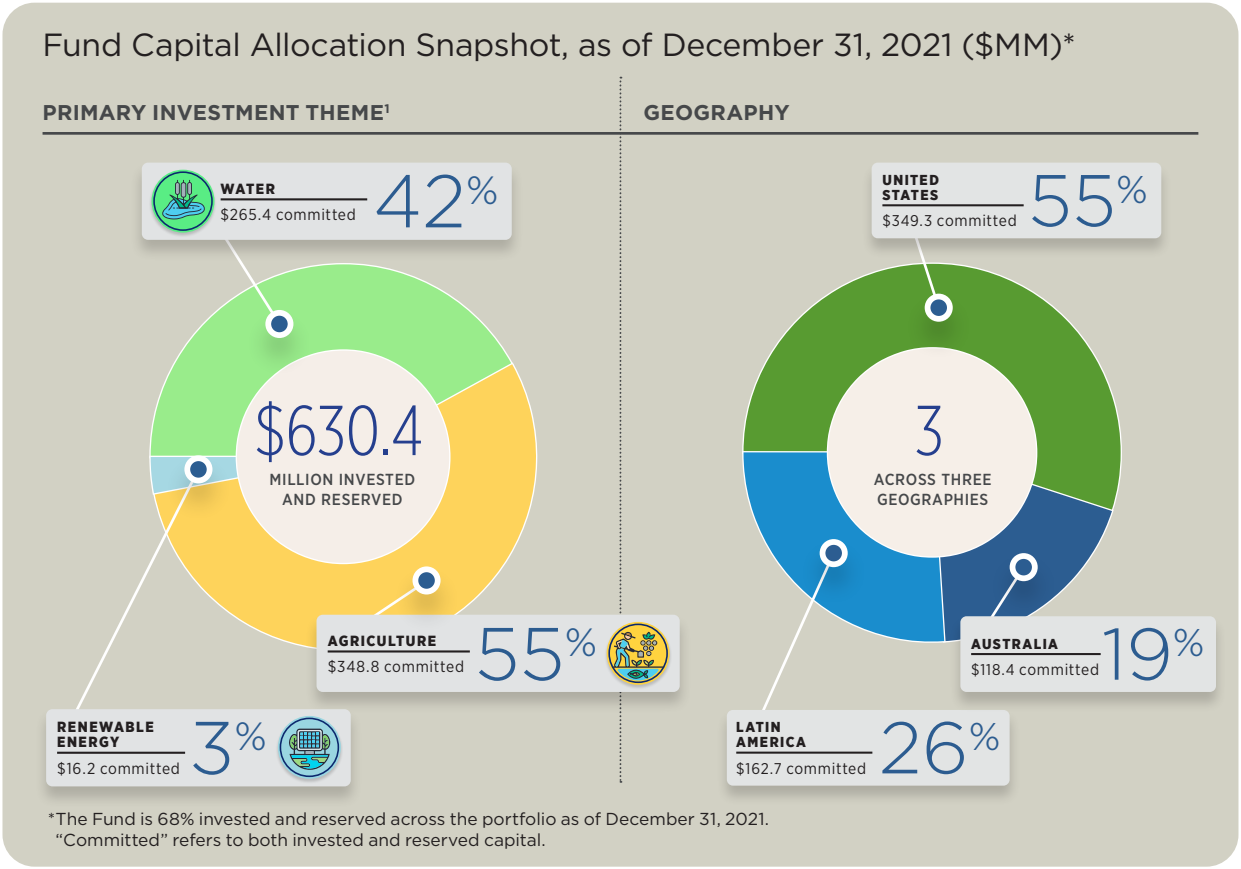
The Nature Conservancy

TNC is a global conservation nonprofit that, since 1951, has worked to conserve the lands and waters on which all life depends. Grounded in local experience and deep scientific expertise, TNC leverages science, real-world solutions, and partnerships to protect land and water and support climate action. TNC works in 76 countries and territories, and in all 50 U.S. states. Its global headquarters is in Arlington, Virginia.

[1] As of April 2020. Includes RRGCM's commitment.
[2] There can be no assurance that the Fund will meet its investment and impact objectives.

IMPACT AND INVESTMENT THESIS

RRGCM designed the Fund with the aim to do more than traditional investment models to generate environmental benefits, social impact, and competitive financial returns. The Fund invests in regions where RRGCM believes a convergence of trends such as climate change, tightening environmental regulations, and rising demand for food are likely to have significant impacts on water supplies, agricultural production, renewable energy demand, and conservation needs. The Fund's approach is intentional in its support of the United Nations Sustainable Development Goals, which harmonize three key dimensions of sustainable development — environmental protection, social inclusion, and economic growth.



*The Fund is 68% invested and reserved across the portfolio as of December 31, 2021. "Committed" refers to both invested and reserved capital.

Governance: The Fund's governance structure integrates RRGCM and TNC teams with complementary diligence and asset management roles. RRGCM is the Fund's Investment Manager and controls the Fund's General Partner, with the primary responsibility for fund operations, investment execution, and asset management. TNC acts as a technical advisor and holds a limited interest in the General Partner. TNC is a voting member on the General Partner's Investment Committee. Together with a third-party technical advisor, Buzz Thompson from Stanford University, TNC and RRGCM personnel serve on the General Partner's Technical Advisory Committee (TAC). The TAC evaluates whether Fund investments meet the Fund's base environmental and social requirements and provides a collaborative opinion on the most meaningful and achievable outcomes that the investment can deliver. To further incentivize environmental outcomes, the Fund holds a portion of the carried interest in reserve until mutually agreed upon positive conservation outcomes are achieved.

[1] Primary investment themes relate to investments' primary monetization strategies. Many investments provide optionality of value creation opportunities from both water and agriculture, and sometimes renewables as well.

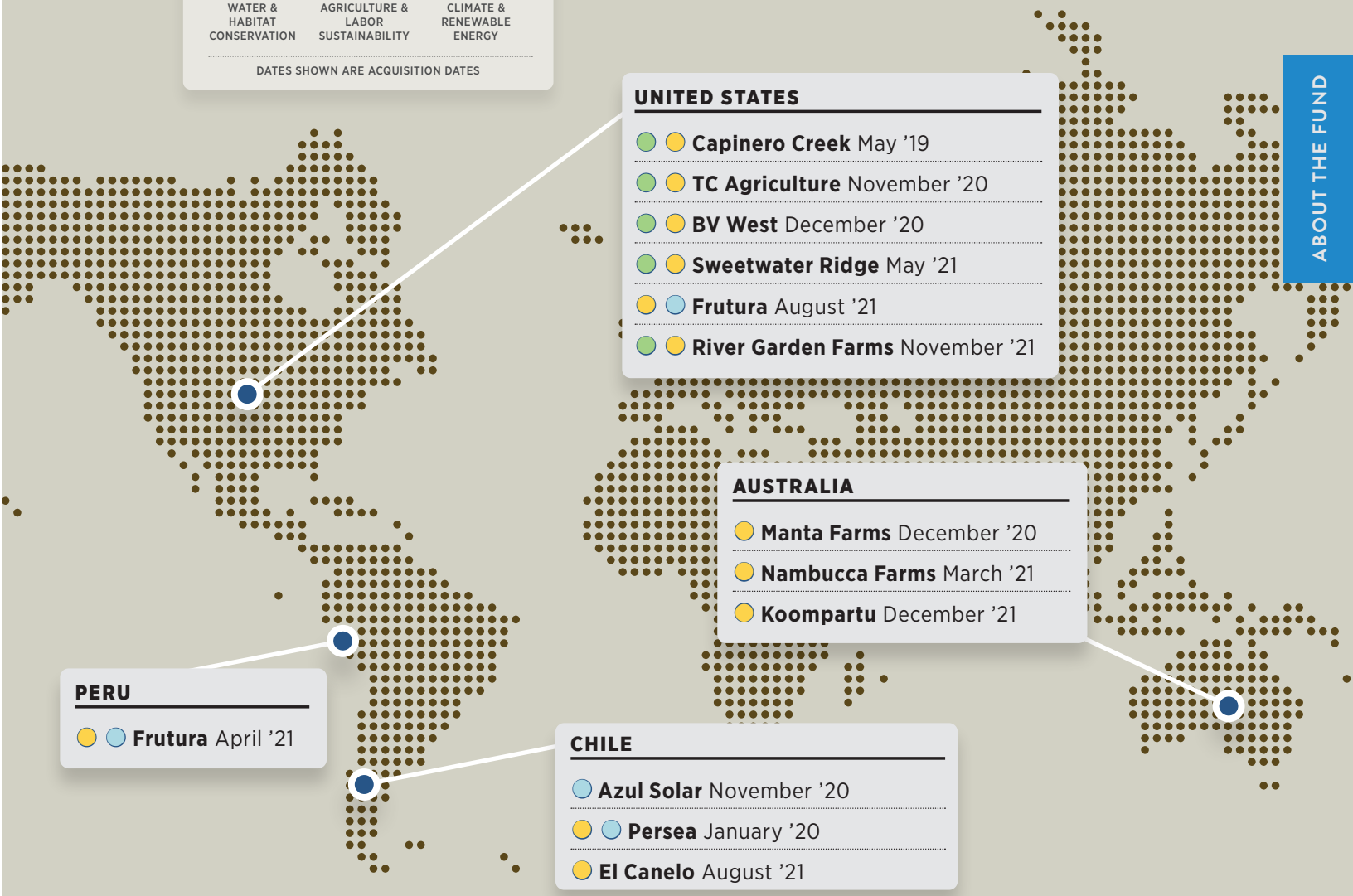
INSIDE THE FUND PORTFOLIO

as of December 31, 2021

PRIMARY IMPACT AREAS MAP KEY

- WATER & HABITAT CONSERVATION
- AGRICULTURE & LABOR SUSTAINABILITY
- CLIMATE & RENEWABLE ENERGY

DATES SHOWN ARE ACQUISITION DATES



UNITED STATES

- **Capinero Creek** May '19
- **TC Agriculture** November '20
- **BV West** December '20
- **Sweetwater Ridge** May '21
- **Frutura** August '21
- **River Garden Farms** November '21

AUSTRALIA

- **Manta Farms** December '20
- **Nambucca Farms** March '21
- **Koompartu** December '21

PERU

- **Frutura** April '21

CHILE

- **Azul Solar** November '20
- **Persea** January '20
- **El Canelo** August '21

OVER

55,000

ACRES (22,250 HECTARES) UNDER MANAGEMENT.

MORE THAN

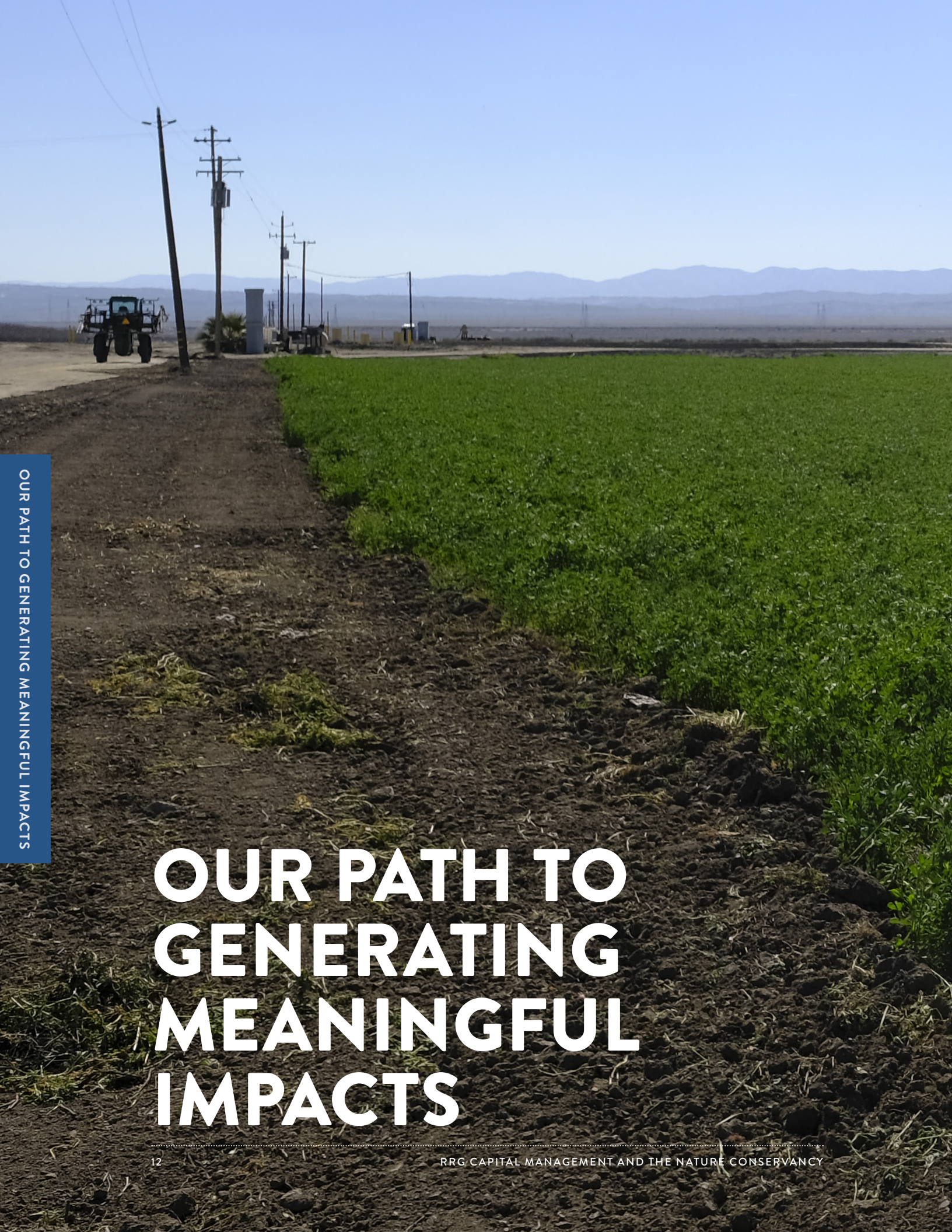
10

CROP TYPES INCLUDING AVOCADOS, ALMONDS, AND TABLE GRAPES.

OVER

7,700

WORKERS EMPLOYED, BOTH YEAR-ROUND AND SEASONAL LABOR.



OUR PATH TO GENERATING MEANINGFUL IMPACTS

OUR PATH TO GENERATING MEANINGFUL IMPACTS

The Fund's management team believes that what sets the Fund apart from other impact funds is its ambition to generate *scientifically rigorous* conservation impacts alongside competitive financial returns. The Fund intends to deliver scientifically sound and meaningful outcomes, which requires deep collaboration between the TNC and RRGCM teams, who, by nature of their organizational missions and sectors, bring complementary expertise on how to realize impact goals. Accordingly, the Fund has a detailed process for reviewing conservation and social impact throughout the life of each investment — from the earliest stages of pipeline development through asset management and disposition.

THE INVESTMENT AND IMPACT PROCESS

PIPELINE DEVELOPMENT

Pipeline development and due diligence efforts rely on technical analysis using multiple economic, environmental, and social lenses. The teams evaluate each opportunity for potential climate, water, habitat, and social benefits in addition to financial returns.

REVIEWING & MANAGING INVESTMENTS

Over the life of the Fund, RRGCM & TNC support on-the-ground management teams with resources and technical assistance to implement conservation and labor best practices, as well as revenue generation.

MEASURING IMPACTS

Using robust scientific methods, the team will conduct regular monitoring of outcomes to document conservation and sustainability progress over time.

PIPELINE DEVELOPMENT

To support the investment teams in the pipeline development stage, RRGCM relies on two key practices 1) base, or minimum, requirements and 2) innovative, science-based tools to help identify opportunities with high potential for impact.

Base requirements: Every proposed investment must meet established minimum environmental and social requirements. In addition to compliance with existing laws and standards around water and air quality, protected species, and worker's rights, the base requirements call on the TAC to conduct site-specific analyses that go beyond local law. For example, the TAC weighs in on proposed additional actions to minimize or avoid net negative impacts to native species, groundwater levels, and surface flows. Overall, the aim of these requirements is to identify and mitigate risks early in the investment process and strive towards a portfolio with a high baseline of environmental and social performance.

PROPRIETARY GIS TOOLS HELP TO IDENTIFY FUTURE INVESTMENT OPPORTUNITIES THAT HAVE THE POTENTIAL TO DELIVER WATER, CLIMATE, AND HABITAT CONSERVATION BENEFITS.

Innovative, science-based tools: The RRGCM and TNC teams use sophisticated geospatial data, on-the-ground relationships, and partnerships with nonprofit, public, and private sector actors to source and execute projects that fall within the Fund's investment thesis. For example, geospatial experts build pipelines of properties with high potential for conservation benefits that might otherwise be overlooked by traditional investment approaches.

REVIEWING & MANAGING INVESTMENTS

Once an investment is identified, a team of technical experts, such as hydrogeologists, agronomists, conservation biologists, and water resource specialists, evaluate the conservation potential of different management scenarios, focusing on the most important opportunities that support the Fund's investment goals. This approach allows the teams to align on the critical elements of each opportunity, such as targeted conservation outcomes, timing, risks, etc.

Additionally, throughout the investment process, the TAC provides input on business plans with an eye towards maximizing environmental outcomes in ways that are economically feasible or additive. This feedback informs investment structuring, decision-making, and asset management.

The TAC develops conservation objectives for each property considering specific conditions on the ground, the business plan, and existing conservation priorities in the region. These objectives can be distinct, on-property outcomes and can also include influence on wider industry or conservation goals. Areas where the TAC considers options for developing impact objectives include:

WATER & HABITAT CONSERVATION

Permanent protection; improved ecological function of freshwater and terrestrial habitats.

AGRICULTURE & LABOR SUSTAINABILITY

Piloting and implementation of sustainable and regenerative agricultural practices; creation of quality jobs.

CLIMATE & RENEWABLE ENERGY

Natural climate solutions; development of renewable energy; reductions in greenhouse gas emissions.

MEASURING IMPACTS

After an investment is approved, RRGCM begins to manage the asset for revenue generation and impact. The metrics to evaluate impact achievements are based on established methodologies and existing global standards. For example, as members of the Impact Management Project's Impact Frontiers initiative — a forum for building global consensus on how to measure, assess, and report impacts on people and the environment — the team draws upon innovative thinking from a network of impact professionals to manage, measure, and report impacts.

While in 2021 the team advanced many of its monitoring and evaluation protocols, there is still work to be done. Some of the impacts being pursued, like habitat restoration, have long time horizons without clear standards for reporting interim progress. Additionally, the team continues to improve data collection to track and quantify cumulative impacts across the Fund's portfolio, which change from year to year as the investment portfolio changes.

CLIMATE ACTION

> The IPCC has warned that any warming beyond 1.5°C above preindustrial averages will have increasingly severe impacts on food systems. There is no time for delay.

In 2021, RRGCM performed its first greenhouse gas (GHG) accounting exercise for investments in the Fund portfolio and RRGCM's corporate activity for the calendar year 2020. This exercise kicked off the Fund's efforts to understand major sources of emissions across investments, identify opportunities to lower emissions, assess options to create a climate commitment that is aligned with the Paris Agreement, and develop science-based emissions reduction pathways. This work also complements TNC's 2030 goals, including to reduce or store three gigatons of CO_2 emissions yearly.

In general, major emissions sources in the agricultural sector include land use change (e.g., deforestation), certain agricultural management practices (e.g., deep tillage, application of agrochemicals, flood irrigation), and livestock production. Because the Fund's investments are primarily in permanent crop production, many established climate interventions that were developed for field crops and livestock production do not apply. This presents an opportunity for the Fund to dive into the activities that are most material to permanent crop development and demonstrate solutions for reducing emissions and enhancing natural carbon sinks in this high-growth sector.

GHG ACCOUNTING

The GHG accounting exercise determined that the vast majority of emissions in the Fund's portfolio come from farming activities. On the Fund's farm properties, the major driver of Scope 1 (direct) emissions is fertilizer application, which emits nitrous oxide, a greenhouse gas with 265–298x the global warming potential of carbon dioxide. To a much lesser extent, the second "hotspot" of on-farm emissions is fuel combustion in agricultural machinery.

When looking at all scopes of farming emissions from the Fund's investments, just over half come from indirect sources in agricultural value chains (Scope 3) that are not related to electricity generation. The highest emission sources in this category are production of agrochemicals, transportation and distribution of products, and end-of-life (food waste) of products due to emissions from landfilling.

DEFINITIONS

- **Scope 1 emissions:** Direct GHGs that occur from sources that are controlled or owned by an organization. (i.e. emissions that occur on the farms)
- **Scope 2 emissions:** Indirect GHGs associated with the purchase of electricity, steam, heat, or cooling. (e.g., GHGs from electric utility)
- **Scope 3 emissions:** GHGs from assets not owned or controlled by the reporting organization, but that impact its value chain (i.e., all GHGs not within Scope 1 and 2, such as distribution of crops, purchase of supplies). Scope 3 often represents a majority of an organization's total GHG footprint
- **Global Warming Potential (GWP):** Unit that allows for comparison of the global warming impacts of different gases. It measures how much energy the emissions of one ton of a gas will absorb over a given period of time (typically 100 years), relative to the emissions of one ton of carbon dioxide. The larger the GWP, the more that a given gas warms the Earth compared to CO_2
- **Carbon dioxide equivalent (CO_2e):** A common unit of measure used to compare emissions of various greenhouse gases on the basis of their GWP, and allows emissions estimates of different gases to be added up and compared across sectors

RRGCM'S FOCUS ON CLIMATE

GREENHOUSE GAS ACCOUNTING

LAYING THE FOUNDATION: In 2021, RRGCM worked with a partner to apply protocols and define boundaries for an initial launch of GHG accounting across RRGCM investments, including the SWIF portfolio.

IDENTIFY OPPORTUNITIES TO LOWER EMISSIONS

ONGOING: Guided by data and science, RRGCM will explore meaningful climate interventions, including ones that support TNC's 2030 climate goals.

ASSESS OPTIONS TO CREATE A CLIMATE COMMITMENT THAT IS ALIGNED WITH THE PARIS AGREEMENT

PROGRESSING: RRGCM's intention is to develop a robust climate commitment in line with the Paris Agreement, the goal of which is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

RRGCM plans to leverage technical experts and partnerships to develop emissions reductions pathways.

The Nature Conservancy

The Nature Conservancy's Goals for 2030, an ambitious plan to secure a thriving planet for people and nature, include climate mitigation as a top priority. TNC will use the power of nature and the strength of policy and markets to reduce emissions, support renewable energy, and store carbon to reach its goal of avoiding or sequestering 3 billion metric tons of carbon dioxide emissions each year.

Food waste is an issue of growing concern for its multi-layer impacts on climate change, resource use, and access to food. The EPA estimates that over one-third of food purchased in the U.S. is never eaten, and food loss and waste represent 8 percent of global GHG emissions. The Fund's team is researching how its current practices and potential interventions can contribute to solutions for fresh produce — such as planting proprietary varieties that produce higher yields with fewer inputs or investing in technologies and processes that can extend the shelf life of products.

DATA & MEASUREMENT

The measurement of climate benefits from regenerative agriculture and nature-based solutions is not straightforward. Models for carbon sequestration have been primarily developed for practices in annual crop systems (e.g., tilling, crop rotation, and cover cropping). Direct measurement of carbon sequestration is difficult and costly, as each farm and region have unique attributes that influence land-based carbon fluxes.

RRGCM's GHG accounting does not yet take into account negative emissions from temporary carbon storage because the latest global standards require reliable sequestration of at least 100 years. Crop rotation cycles of 20–30 years do not meet this threshold, and management at end of life can result in a re-release of stored carbon. RRGCM is following researchers as they work to understand how carbon is stored in soil and biomass in the long term through permanent crop agriculture. At the same time, global accounting standards for agriculture, particularly related to soil carbon storage, are still being developed, which will impact how the agriculture industry accounts for positive and negative emissions.

NEXT STEPS

The initial GHG accounting work used a combination of data collected directly from our farms and globally available estimates. As RRGCM continues to collect primary data, the quality of future GHG accounting will improve and allow for more precise tracking of emissions reduction and carbon sequestration.

For Fund properties specifically, the team is in the process of identifying and implementing on-farm interventions, prioritizing activities that will have the greatest impact to reduce emissions (e.g., fertilizer-related activities) and stack multiple environmental benefits together (e.g., cover cropping to build soil organic carbon and provide benefits for pollinators). Each investment will be evaluated in the coming year to identify ways to reduce emissions, increase carbon sequestration, and demonstrate climate-smart agriculture.

ADVANCING A NET ZERO FUTURE

There are multiple opportunities across the Fund to contribute to a net zero future — where fewer greenhouse gases are added to the atmosphere and more emissions are removed. These opportunities include reducing direct emissions and supporting natural climate solutions.

WASTE & WATER MANAGEMENT

FERTILIZER USE REDUCTIONS

LOW CARBON ENERGY SOURCES

REDUCE EMISSIONS

- Reduce direct GHGs from agricultural production through better waste and water management, fertilizer use reductions, and low carbon fuels
- Develop fossil fuel energy alternatives, including low carbon, renewable solar energy

AVOIDED LAND CONVERSION

HABITAT PROTECTION

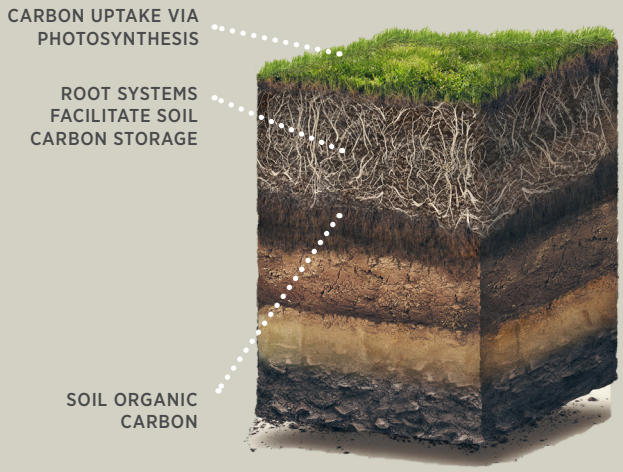
REGENERATIVE FARMIMG

SUPPORT SINKS

- Permanently protect land from conversion and deforestation
- Find new uses for previously degraded lands that enhance ecosystems and habitat conservation
- Utilize regenerative farming practices that increase soil carbon sequestration

WHAT IS A SOIL CARBON SINK?

A carbon sink absorbs more carbon from the atmosphere than it releases. Forests, oceans, and soils are all examples of carbon sinks. Plants absorb carbon from the atmosphere during photosynthesis and deposit it into the soil. Activities that disturb soil structure, such as tilling or land conversion, release much of that stored carbon back into the atmosphere. Protecting soil-based carbon sequestration is one way to reduce GHG emissions.



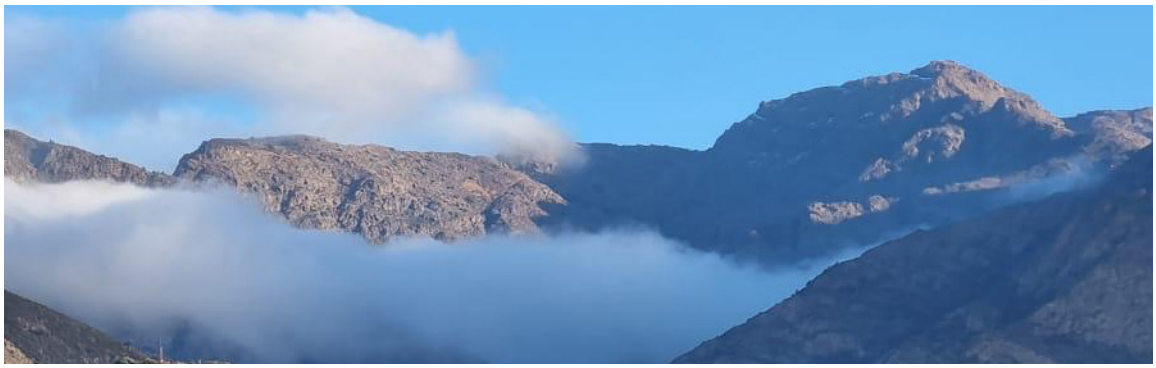
2021 IMPACTS: CASE STUDIES

With twelve investments across three global regions, 2021 was a period of significant growth for the Fund. These case studies illustrate some of the Fund's achievements in 2021.

CASE STUDY

PERSEA (CHILE)

HABITAT PILOTS AT SOLAR ENERGY SITES



Persea's El Mirador ranch is a 1,179-acre (477 hectare) walnut and citrus farm with five acres of solar panels that produce electricity for the property. The Fund will use the on-farm solar site as a pilot to demonstrate more ecologically friendly renewable energy production and potentially leverage results from the pilot to improve biodiversity and operational performance at other Fund solar installations.

Research pilots: While solar power facilities offer a renewable alternative to fossil fuel derived energy, their infrastructure can require considerable amounts of land, potentially negatively impacting native habitat and reducing connectivity between wild areas. Although there are examples of pilot projects on solar facilities that have been designed to minimize habitat disturbance and facilitate benefits for local species, significant gaps in knowledge remain regarding the compatibility of these activities with the functionality of everyday solar facility operations.

The TAC identified this gap in knowledge as a barrier to sustainable expansion of renewable energy and recommended that the deal team pursue exploration of land management practices that can create additional habitat and enhance operations of solar facilities at the same time. As a result, the Fund partnered with a Chilean agroecology group, Centro I+D Agroecología, to implement an experimental pilot on five acres of solar power facilities with bifacial and monofacial panels. This pilot tests if different mixes of plant species, including native plants, can enhance wildlife habitat and improve ecological conditions while also generating operational and financial benefits. This is the first pilot in Chile that tests the potential of native Matorral plants, evolved to reflect sunlight off their leaves in the dry climate, to increase solar production on solar power facilities. While still in its early stages, this research has potential implications not only for the site but also for the broader renewable energy community.

Responsible farming and labor: Persea also demonstrates responsible and regenerative agriculture practices, including water use efficiency, habitat conservation, and worker health and safety programs. In 2021, the team improved irrigation efficiency and achieved an approximately 20% reduction in overall water consumption. The team also initiated efforts to permanently protect 2,470 acres (1,000 hectares) of undisturbed, high conservation priority Mediterranean habitat. To mitigate the risks of Covid-19 to the local workforce, the team established daily monitoring protocols and sanitation infrastructure. Additionally, the team hosted three on-farm Covid-19 vaccination clinics for workers and staff resulting in a vaccination rate of 95%. To help the broader community, the team participated in a food box distribution program for families facing food insecurity during the pandemic.

CASE STUDY

FRUTURA (PERU)

SCALING SUSTAINABLE AGRICULTURE IN THE ICA VALLEY

Headquartered in the U.S. but with an agricultural arm in Peru, Frutura Produce (Frutura) is a vertically integrated fresh produce platform that focuses on providing high-quality, sustainably grown produce to consumers around the world. Frutura invests in businesses and farms that are proven leaders in sustainable production and supports their capacity to scale agricultural best practices across the permanent crop industry.

One of Frutura's business units, Agrícola Don Ricardo (ADR), is a large permanent crop grower that demonstrates leadership in agriculture, water management, and social impact in a region confronting multiple social and environmental challenges. ADR is located in southern Peru's Ica Valley, an arid region facing high water stress and high water risk, according to the World Resources Institute. The region includes several large export-focused businesses, many of which invest in sustainable farming methods, along with a fragmented network of small and medium growers who often do not have the resources or expertise to implement similar practices. ADR is one of the larger businesses in the region, operating 4 processing facilities and 13 farms across 3,917 acres (1,585 hectares) that grow table grapes, citrus, avocados, and blueberries.

Water Innovation & Leadership: In 2020, ADR earned the "Certificado Azul" distinction, a certification launched by the Peruvian government that seeks to reduce the water footprint of goods and services, promote collaborative action to improve water quality and quantity, and recognize leaders in water efficiency. To achieve this certification, ADR implemented programs to improve its water use efficiency, including installing sensors and software that use real-time data on soil moisture, climate, and plant water uptake to inform decision-making about irrigation frequency, volumes, and times. These improvements resulted in ADR optimizing its crop water footprint to 433 liters per kilogram of fruit, nearly 27% lower than the national average in Peru and 17% lower than the global average. In addition, to promote the shared value of water efficiency in 2021, ADR held a series of workshops to train more than 50 producers in the Ica Valley on water use efficiency, including site visits and customized technical assistance for individual farmers.

Social Impact: Over the past two years, ADR also spearheaded expansion of Covid-19 safety best practices, including peer-to-peer information sharing on vaccines and public health, leading to a 100% vaccination rate for all employees. ADR also created programs developed specifically for female field workers aimed at facilitating wellbeing, safety, and leadership. In the context of regional labor unrest, investment in social work helps to increase employee satisfaction.

As permanent crop production continues to expand across Peru and the Ica Valley, the Fund aims to leverage ADR's innovation and leadership to serve as an example of climate-smart agriculture practices that support sustainable water management and economic growth at scale. These practices can be shared within the Frutura platform and with the larger agricultural community to demonstrate a model for economically, environmentally, and socially sustainable food production.

CASE STUDY

SWEETWATER RIDGE (CALIFORNIA)

DEVELOPING A SHARED CONSERVATION VISION

Water is a critical issue in California's Central Valley. The region produces roughly a quarter of the U.S.'s food in an area where numerous groundwater basins have been designated as 'critically overdrafted' by the California Department of Water Resources. This designation means that groundwater extraction exceeds levels that are considered sustainable. If unmanaged, this can lead to serious consequences for people and the environment, including occurrences of land subsidence, significant habitat loss, and impairment of domestic water supplies.

Sweetwater Ridge is a roughly 7,000-acre (2,832-hectare) property located in California's Central Valley in Merced County alongside the San Joaquin River (SJR). The SJR once supported a diverse and species-rich ecosystem, with spring flooding creating permanent and seasonal wetlands, and riparian and aquatic habitats. Now, the SJR is one of the most highly-altered systems in the state, and a state-wide conservation priority is to restore some of the habitat that the river once brought. On this property, the Fund intends to facilitate management approaches that generate multiple benefits for stakeholders and wildlife in a region where water and land use tensions are a long-standing challenge.

TNC has worked in the San Joaquin Valley for decades and in 2021, after acquisition of this asset, began the development of a conservation plan for the property. Given the strategic location of Sweetwater Ridge for land protection, water management, and agricultural production, there is a robust set of possible conservation outcomes, which are now being analyzed for logistical and financial feasibility in collaboration with a prominent restoration NGO in California. The team aims to contribute to regional conservation priorities around habitat restoration and water management alongside its intended investment activities of water transfers and agriculture.

Using GIS to Uncover Investments with Multiple Benefits

The Fund uses its proprietary geospatial tools to evaluate the climate, ecological, and water management opportunities of potential investments in California's Central Valley region and beyond.

Using spatial layers that forecast climate impacts, water trends, and habitat priorities, these tools help the Fund to uncover investments that might otherwise be overlooked.

CASE STUDY

MANTA FARMS (AUSTRALIA)

PILOTING REPLICABLE ON-FARM CO-BENEFITS

Located in Victoria, Australia, Manta Farms is a roughly 300-acre (121-hectare) property that is managed for table grape production. Across the farm, the Fund is making investments that support regenerative practices and improvements in degraded agricultural land and piloting a new certification program that is intended to be scalable across crop types, production systems, and regions.

Building capacity for regeneration: When the Fund purchased the property, it was in a degraded state. To create a foundation for regenerating the soil and the land's ecosystem functions, first year interventions included conducting a soil health baseline, commencing planting of native tree species in existing corridors, creating a pollinator-friendly habitat, improving water use efficiency, and optimizing and reducing pesticide and fertilizer use. These efforts should support healthy crop yields and more sustainable management of natural resources.

Scalable sustainability assurance: Globally, the landscape of agricultural certifications is diverse with hundreds of voluntary sustainability standards available to help keep people and the land they work on healthy and to mitigate the environmental impacts of agricultural production. Some certification programs are crop, region, or hotspot specific, such as soil health or worker safety, while others are more holistic and promote a broad set of sustainable agriculture best practices.

CASE STUDY: AUSTRALIA, MANTA FARMS

At Manta Farms, the Fund is piloting a new agricultural sustainability certification, the Leading Harvest Farmland Management Standard, that is working on being the first uniform sustainability standard that can be applied globally to diverse farming operations, regardless of size of the farm, crop type, geography, soil, or other differentiating factors. Leading Harvest was developed as an effort of The Conservation Fund and is being implemented among large and small growers in the United States. The Fund's team is participating in the Leading Harvest Australia pilot, working to adapt the North America-focused standard to an Australian context and providing one of the first pilot sites for field testing the auditing and certification processes. If successful, the certification will offer agricultural producers working across diverse systems and regions a workable and scalable tool to assure much needed sustainability outcomes. Given the global presence of the Fund assets, if the farmland management standard proves to be applicable in different contexts, there will be an opportunity to apply the standard across multiple geographies, thus, scaling the positive impacts of the Fund and the partnership.

2021 FUND IMPACTS

RRGCM regularly collects sustainability and operational data from its Fund assets, enabling its team to set baselines, track impacts, and improve operations over time. The team uses a portfolio-wide data collection system to gather data annually across impact areas including: water stewardship, biodiversity and habitat conservation, climate and energy, sustainable agriculture, quality jobs, respect for local communities, and good governance. Data gathered helps the team to identify areas to prioritize, to ensure continuous improvement, and to support development of interim and long-term sustainability targets across all of its investments. Specific outcomes from the Fund's investments are reported below.

RESPECT FOR LOCAL COMMUNITIES

IMPACT AREA	2021 OUTCOMES
Respect for local cultures and needs Support local economies	39% of farms conducted stakeholder engagement/ outreach with local communities

WATER STEWARDSHIP

IMPACT AREA	2021 OUTCOMES
Develop groundwater recharge facilities	216,000 m^3 recharged in the Ica Valley
Use water efficiently	100% of farms with water efficiency practices in place

CLIMATE AND ENERGY

IMPACT AREA	2021 OUTCOMES
Develop renewable energy	56,101,992 kWh generated
Reduce greenhouse gas emissions	Measurement methodology being developed; baseline data collected

GOOD GOVERNANCE

IMPACT AREA	2021 OUTCOMES
Advance corporate social responsibility	55% of farms have a corporate sustainability or ESG policy
Promote diversity, equity, and inclusion	78% of farms have corporate diversity, equity, and inclusion policies and 61% offer training on the topics

SUSTAINABLE AGRICULTURE

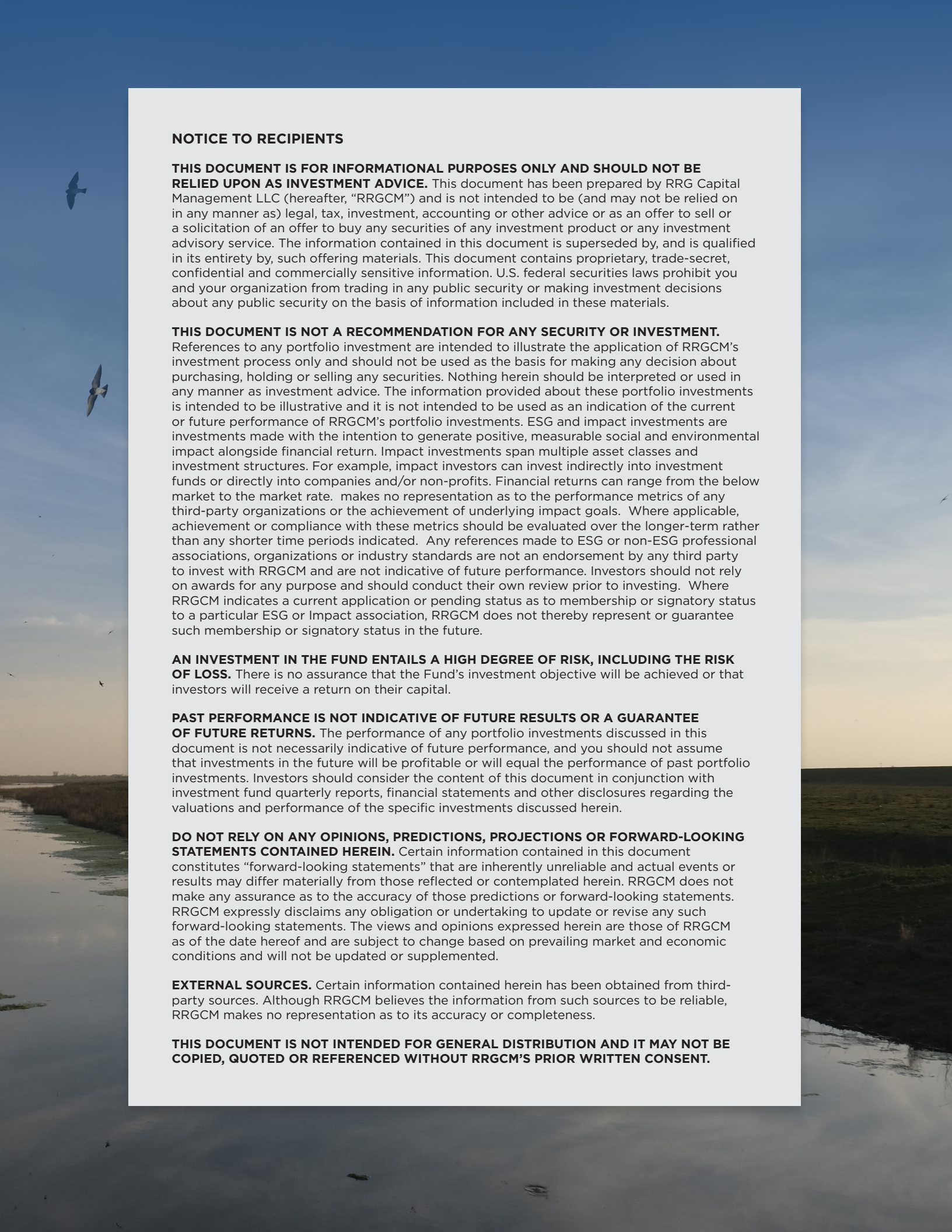
IMPACT AREA	2021 OUTCOMES
Implement regenerative practices	605 hectares with cover crops
Reduce agrochemical use	100% of farms follow practices for responsible pest management 80% of farms follow practices for responsible nutrient management
Reduce waste	68% of farms productively use on-farm waste

QUALITY JOBS

IMPACT AREA	2021 OUTCOMES
Improve day-to-day and long-term opportunities	75% of farms offer paid, on-the-job training
Improve worker satisfaction and retention rates	Measurement methodology being developed
Increase occupational health and safety	95% of farms have a written policy on worker health and safety and trained their workers on health and safety
Provide workers with quality support services and benefits	33% of farms offer a medical facility/ clinic on-site 22% of farms provide childcare services

BIODIVERSITY AND HABITAT CONSERVATION

IMPACT AREA	2021 OUTCOMES
Create temporary habitat through improved management of working lands	Pilots and methodologies being developed
Improve environmental flows and water quality in rivers and streams	Longer time-horizon metric — no outcomes yet
Protect terrestrial and freshwater ecosystems	Longer time-horizon metric — no outcomes yet
Restore terrestrial and freshwater ecosystems	Pilots and methodologies being developed



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RRG
Capital Management

RRG Capital Management LLC
5701 Truxtun Avenue, Suite 201
Bakersfield, CA 93309

Contact:
info@renewablegroup.com
(323) 936-9303